

Message Text

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ACTION EB-04

INFO OCT-01 SS-14 ISO-00 SP-02 L-01 NSCE-00 STRE-00
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FM USMISSION GENEVA
TO SECSTATE WASHDC IMMEDIATE 1657
INFO AMEMBASSY BRUSSELS

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PASS STR ELECTRONICALLY FOR AMBASSADOR STRAUSS

E.O. 11652: N/A
TAGS: ETRD, MTN
SUBJECT: GUNDELACH/MCDONALD DISCUSSION JULY 4

1. IN LINE WITH YOUR INSTRUCTIONS, MCDONALD MET PERSON-
ALLY WITH VICE PRESIDENT GUNDELACH FOR ABOUT 2 1/2 HOURS
ON JULY 4 IN BRUSSELS. THE DISCUSSION WAS STRAIGHTFORWARD
AND BUSINESSLIKE WITH NO POSTURING ON EITHER SIDE. BOTH
STATED THEY WERE ONLY EXPLORING POSSIBILITIES BEYOND THEIR
PERSONAL AUTHORITY IN SEARCH FOR ACCEPTABLE COMMON POSI-
TIONS THAT COULD PRODUCE A SIGNIFICANT AGRICULTURAL RESULT
IN THE TOKYO ROUND. GUNDELACH REQUESTED THAT HIS SPECIFIC
PRODUCT POSITIONS BE COMMUNICATED ONLY TO AMB. STRAUSS
SINCE HE SAID THAT IMMEDIATE PUBLICATION OF THEM WOULD
BRING SUCH A HIGH LEVEL OF MEMBER STATE RESISTANCE THAT
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THEY WOULD BE DOOMED.

2. GUNDELACH SAID THAT HE BELIEVES A SIGNIFICANT AND
SATISFACTORY AGRICULTURAL RESULT CAN BE DEVELOPED BUT
NOT DEFINITELY PUT INTO PLACE BY JULY 15. INSTEAD,
HE SAID THAT HE WOULD REVIEW PERSONALLY WITH AMB. STRAUSS
THEIR RESPECTIVE POSSIBILITIES SO THAT BOTH COULD BE

REASONABLY COMFORTABLE BEFORE JULY 15 THAT THEY COULD MEET THEIR BOTTOM LINES. THIS WOULD PERMIT A GENERALLY POSITIVE BUT NOT EXPLICIT STATEMENT TO BE MADE THEN ON AGRICULTURE, SUGGESTING THAT SOMETHING POSITIVE IS UNDERWAY. HE ALSO AGREED THAT ANY JULY 15 STATEMENT MIGHT SAY THAT THE U.S. ACCORD IS SUBJECT TO SUCCESSFUL ELABORATION OF ITS KEY AGRICULTURAL REQUESTS IN EARLY AUTUMN.

3. PROBABLE TIMETABLE -- GUNDELACH WILL COME TO GENEVA ON JULY 11 FOR AN AFTERNOON SESSION WITH AMB. STRAUSS. HE ANTICIPATES ENOUGH OF A GENERAL UNDERSTANDING TO COME OUT OF THEIR GENERAL AND PRIVATE CONVERSATIONS AT THAT TIME THAT BOTH WILL FEEL POSITIVE ABOUT A STATEMENT ON AGRICULTURE. HE IS AIMING FOR A MEMBER STATE DECISION AT THEIR COUNCIL MEETING ON SEPTEMBER 30, ANTICIPATING THAT THE TOTAL ARRANGEMENT COULD BE COMPLETED BY OCTOBER 15. IN ORDER TO GAIN MEMBER STATE APPROVAL, HE IS HAVING TO LINK THE U.S. REQUESTS TO A RATHER COMPLEX INTERNAL PROGRAM THAT INCLUDES SOME ADDITIONAL EC MEDITERRANEAN AND WINE CONCESSIONS TO GAIN FRENCH AND ITALIAN APPROVAL. HE HAS CLEARLY A POLITICAL CONCEPT IN MIND OF WHAT NEEDS TO BE DONE INTERNALLY AND WHAT THE U.S. NEEDS TO DO IN RESPONSE TO EC AGRICULTURAL REQUESTS TO PRODUCE A FAVORABLE DECISION. HIS COMPLETE PROGRAM HAS NOT BEEN DISCUSSED AS SUCH WITH MEMBER STATES YET, BUT GUNDELACH SAYS HE HAS COVERED EACH INDIVIDUAL ITEM WITH THE MEMBER LIMITED OFFICIAL USE

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STATE(S) PARTICULARLY CONCERNED, MOST RECENTLY AT INFORMAL SESSIONS AROUND THEIR AGRICULTURAL MEETING HELD IN AALBORG. HE BELIEVES HE CAN WIN APPROVAL.

4. HE APOLOGIZED FOR HIS CONTINUING PROBLEMS AND PREOCCUPATIONS WITH THIS YEAR'S PRICING PLAN, THEIR MEDITERRANEAN PROGRAM, AND THE FISH CONTROVERSY WHICH STILL RAGES. HE ADMITTED THE NINE ARE NOT WORKING TOGETHER COOPERATIVELY. HE ALSO SEEMS FRUSTRATED THAT CURRENTLY HE IS NOT SURE TO WHOM TO TALK IN ITALY, ONE OF THE PRIMARY STATES AFFECTED BY U.S. REQUESTS, SINCE THEIR CABINET APPARENTLY MUST RESIGN AND BE REFORMED AS SOON AS THEY COMPLETE THEIR PRESIDENTIAL ELECTIONS CURRENTLY UNDERWAY.

5. U.S. REQUESTS -- WE DISCUSSED AT LENGTH THE "STRAUSS PRODUCTS" AND A FEW OTHER KEY ONES, ON WHICH HE MADE COMMENTS AND NOTES. HE BELIEVES HE CAN GO WELL ALONG TOWARD MAKING SOME MEANINGFUL CONCESSIONS IN MOST OF THESE PRODUCT AREAS ALTHOUGH THERE ARE ONE OR TWO ON WHICH THEY MAY BE RELATIVELY MODEST. HE WANTS TO SIZE UP WITH AMB. STRAUSS PRIVATELY WHAT HE THINKS THEY CAN DO.

GUNDELACH REPEATED THAT THEY COULD NOT BIND LEVIES NOW SINCE THAT WOULD BE VIEWED AS A FUNDAMENTAL POLITICAL MOVE AGAINST THE CAP. HE FELT HE COULD MEET OUR NEEDS IN OTHER WAYS (E.G., SEPARATE SPECIALTY TARIFF LINES, TARIFF REDUCTIONS, AND "SUB-PRELEVEMENTS" WITHIN LEVIES). MCDONALD QUOTED REPEATEDLY FROM RECENT VISITS BY AMERICAN AGRICULTURAL INTERESTS TO GENEVA, EMPHASIZING THAT AMB. STRAUSS HAS LITTLE LATITUDE POLITICALLY RE AGRICULTURE. CLEARLY AGRICULTURE'S SUPPORT FOR THE MTN RESULTS IS ABSOLUTELY ESSENTIAL. GUNDELACH AGREED WITH THIS POINT, INDICATING THAT IS WHY HE IS GOING TO SUCH ELABORATE

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MEANS TO DEVISE AN ACCEPTABLE EC APPROACH TO SATISFY OUR NEEDS.

6. EC REQUESTS -- GUNDELACH INTRODUCED NO IMPORTANT NEW REQUESTS FROM THE EC SIDE. HE BRIEFLY REVIEWED THEIR NEED FOR (A) REGAINING THEIR POSITION IN SPECIALTY CHEESES, (B) HOLDING ON TO THEIR PRESENT POSITION IN CANNED HAMS, (C) PROVIDING THE BRITISH PARTICULARLY WITH WINE/GALLON RELIEF (WHICH HE SAID WAS THEIR TOP PRIORITY REQUEST IN THE NEGOTIATIONS), (D) REMOVING THE PUNITIVE COGNAC TARIFF AS A PART OF THE CHICKEN WAR, AND (E) PROVIDING SOME SMALL QUOTA FOR IRISH BEEF WHICH AT ONE

POINT HAD SOME MODEST SALES INTO THE U.S. MARKET.

7. CHICKEN WAR -- HE ALSO WANTS TO TRY TO GET RID OF THE CHICKEN WAR PROBLEMS IF POSSIBLE. HE IS HAVING THEIR POULTRY AND PARTICULARLY THEIR TURKEY SITUATION REASSESSED LIMITED OFFICIAL USE

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TO TRY AND SEEK AN OVERALL SOLUTION. HE POINTED OUT THAT THEY HAVE A PROBLEM WITH SEASONED POULTRY OUTSIDE OF THE LEVY AND THEY MUST MAKE SURE THAT THIS IS NOT SIMPLY A LOOPHOLE TO BE EXPLOITED. MCDONALD STATED U.S. OPPOSITION TO PLACING SEASONED POULTRY UNDER A LEVY, POINTING OUT THAT OUR GAINS IN THIS AREA ONLY OFFSET ROUGHLY OUR POULTRY LOSSES ELSEWHERE. GUNDELACH SPECULATED THAT HE EXAMINE THE POSSIBILITY OF A "SUB-PRELEVEMENT" THAT WILL ACT SIMILARLY TO A TARIFF RATE REDUCTION. HE FELT THIS WOULD PERMIT THE U.S. TO MOVE TOWARD OUR DESIRED INCREASE IN TURKEY IMPORTS ON A REASONABLE BASIS. HE STATED THIS REPRESENTED A TECHNICALLY COMPLEX OPERATION BUT ADDED, "THIS CAN BE DONE." HE ALSO WANTS TO SORT OUT THE "INFORMAL" AGREEMENTS ON POULTRY CONCERNING EXPORT MARKETS AS PART OF A POULTRY PACKAGE. FINALLY, HE SAID HE THINKS THE FRENCH REALLY WANT TO GET RID OF THE PUNITIVE COGNAC TARIFF, BUT HE NEEDS VERY MUCH FOR THEM TO ADMIT IT. APPARENTLY THEY HAVE NOT YET DONE SO DURING INTERNAL EC NEGOTIATIONS.

8. SUBSIDIES -- MCDONALD UNDERLINED REPEATEDLY THE CONCERNS OF THE AGRICULTURAL COMMUNITY OVER THE USE OF SUBSIDIES IN THIRD COUNTRY MARKETS. HE STRESSED THAT THE U.S. NEEDS TO REINFORCE ARTICLE XVI-3 CLEARLY ESTABLISHING THE PRINCIPLES THAT SUBSIDIES SHOULD NOT BE USED TO GAIN UNFAIR MARKET SHARE MOVEMENTS OR TO DISRUPT THE PRESENT LEVELS OF NON-SUBSIDIZED PRICES. WE MUST ALSO CLARIFY TWO MORE TECHNICAL QUESTIONS: (A) "WHAT IS A MARKET" AND (B) "WHAT IS THE REPRESENTATIVE PERIOD?" GUNDELACH THEN SUGGESTED ANOTHER ELEMENT THAT SHOULD BE INCLUDED IS A GUIDELINE ON THE USE OF SUBSIDIES UNDER THE GUISE OF FOREIGN AID TO DISRUPT NORMAL SUPPLY PATTERNS. HE SAID THE MEMBER STATES WOULD OFFER INTENSIVE LIMITED OFFICIAL USE

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POLITICAL RESISTANCE TO ANY SUBSIDY LANGUAGE, BUT "I THINK THIS IS DOABLE." HE DOUBTED WHETHER WE COULD FINISH THE EXACT LANGUAGE WITH MEMBER STATE APPROVAL BY JULY 15 BUT AGREED WITH MCDONALD'S SUGGESTION THAT WE

AT LEAST TRY TO AGREE ON AN INTRODUCTORY PARAGRAPH FOR THIS SECTION OF THE SUBSIDY CODE REEMPHASIZING ARTICLE XVI-3 PLUS LISTING THE POINTS ABOVE TO BE INCLUDED IN THE ELABORATED TEXT.

9. CATHEDRAL/CHAPEAU -- THE DISCUSSION ON THIS TOPIC WAS MOST PROMISING WITH GUNDELACH GAINING ENTHUSIASM FOR AN OVERALL AGRICULTURAL UNDERSTANDING. HE ALSO THINKS IT MIGHT BE FEASIBLE TO HAVE A COMMITTEE OF AGRICULTURAL SIGNATORIES TO THIS UNDERSTANDING THAT WILL PROVIDE A CONTINUING FORUM FOR HIGH LEVEL REVIEW AND CONSULTATION ON AGRICULTURAL PROBLEMS. HE AGREED THAT ALTHOUGH THIS MOVE MIGHT HAVE LITTLE IMMEDIATE POLITICAL APPEAL, FUNDAMENTALLY OVER TIME IT COULD BE THE MOST IMPORTANT AGRICULTURAL RESULT IN THE TOKYO ROUND SINCE IT COULD GO A LONG WAY TOWARD BRINGING ORDER INTO AGRICULTURAL TRADE BY SETTING UP AN "AGRICULTURAL GATT."

10. COMMODITY AGREEMENTS -- GUNDELACH IS PRESENTLY DISCOURAGED AND IRRITATED ABOUT THESE. THEY HAVE BEEN SUCH A CONSTANT SOURCE OF STRUGGLE OVER THE LAST FEW MONTHS THAT HE QUESTIONED OUTLOUD WHETHER THEY HAVEN'T BEEN WATERED DOWN SO MUCH AS TO BE MEANINGLESS. HE IMPLIED THEY WERE ALSO THE FOCUS OF A LOT OF INTERNAL BITTERNESS BETWEEN MEMBER STATES. AS WITH THE CATHEDRAL UNDERSTANDING ABOVE, HE SAID THE MAIN VALUE OF COMMODITY AGREEMENTS MIGHT BE TO PUT IN PLACE MECHANISMS FOR FREQUENT CONSULTATIONS THAT OVER TIME WOULD CONTRIBUTE TO GREATER STABILITY FOR AGRICULTURAL TRADE. MCDONALD REMINDED HIM OF HIS EARLIER COMMENTS ON THE VALUE OF GREATER CREDIBILITY IN STABILIZATION EFFORTS TO HELP HIM HOLD DOWN LEVY INCREASES IN GENERAL AND THEREBY TO REINTRODUCE A DEGREE OF MARKET LIMITED OFFICIAL USE

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FORCES INTO THE COMMUNITY AGRICULTURAL TRADE. GUNDELACH AGREED.

11. SUMMING UP -- GUNDELACH ENDORSED THE 4-PART, INTER-

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RELATED CONCEPT FOR AGRICULTURE AS OUTLINED BY MCDONALD,
E.G., (A) A CATHEDRAL OR GENERAL UNDERSTANDING, (B) A
SERIES OF COMMODITY ARRANGEMENTS, (C) A SUBSIDY CODE
AGREEMENT ON AGRICULTURE, AND (D) SATISFACTION FROM
REQUEST OFFERS FOR BOTH SIDES. GUNDELACH CONCLUDED THAT
IF WE COULD PULL OFF THIS COMPLETE PACKAGE, IT TRULY
WOULD REPRESENT A SIGNIFICANT AGRICULTURAL RESULT FOR
THE TOKYO ROUND AND WOULD PUT AGRICULTURAL TRADE IN THE
SOUNDEST POSITION DURING HIS 35 YEARS IN THE FIELD.
MCDONALD

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